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Message Text

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PAGE 01 MEXICO 01475 270534Z
ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-06 CEA-01
L-03 H-01 PA-01 PRS-01 AGRE-00 ABF-01 /091 W
----------046491 272213Z /14
R 262321Z JAN 78
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 7840
INFO TREASURY WASHDC
ALL USCONS MEXICO POUCH

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EO 11652: N/A
TAGS: ELAB, MX
SUBJECT: PRICE DECONTROL SPARKS RENEWED WAGE-PRICE CONTROVERSY

REF: (A) 77 MEXICO 20294 (NOTAL), (B) MEXICO 074 (NOTAL)

1. AS FEBRUARY 1 DEADLINE FOR PRICE DECONTROL OF REPORTEDLY 100-PLUS CONSUMER ITEMS NEARS (REFTEL A), LEADERS OF ORGANIZED LABOR HAVE INCREASED THEIR NONE-TOO-VEILED THREATS THAT THEY WILL SEEK EXTRAORDINARY WAGE INCREASES IF PRICES SHOW MARKED INCREASES. MOST OF THESE LEADERS FEAR THAT MERCHANTS PLAN SHARP INCREASES FOR THE DECONTROLLED ITEMS WHICH INCLUDE CLOTHING, SHOES, SCHOOL SUPPLIES AND OTHER NECESSITIES. WHILE CTM'S FIDEL VELASQUEZ HAS PLEDGED THERE WILL BE NO DEMAND FOR A GENERAL WAGE INCREASE, HE REMINDED THE GOM AND MERCHANTS THAT AFFILIATED UNIONS ARE UNDER NO CTM RESTRICTIONS ON THEIR INDIVIDUAL WAGE DEMANDS. CONGRESS OF LABOR AND RAILROAD LEADER JESUS MARTINEZ GORTARI HAS INDICATED THAT LABOR WILL SHOW LESS RESTRAINT THAN IT HAS DURING THE PAST YEAR
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PAGE 02 MEXICO 01475 270534Z

IF IT IS FACED WITH A NEW ROUND OF PRICE INCREASES.

2. WHILE MINIMUM WAGES WERE INCREASED THROUGHOUT THE COUNTRY BY 12-15 PERCENT ON JANUARY 1 (REFTEL B), WORKERS LOST FROM FIVE TO 15 PERCENT IN REAL INCOME IN THE MAJOR MANUFACTURING UNITS IN 1977 ACCORDING TO CTM ESTIMATES FOR MEXICO CITY AND AS MUCH AS 50 PERCENT IN SOME OUTLYING

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AREAS. WHILE THESE LATTER CLAIMS MAY BE EXAGGERATED, THE 5-15 PERCENT RANGE LOSS APPEARS TO BE SUPPORTABLE FOR THIS TIME PERIOD.

3. COMMENT: MUCH OF THIS NEW FLURRY OF LABOR THREATS CAN BE WRITTEN OFF AS A FORM OF JAWBONING MERCHANTS INTO MORE MODERATE INCREASES. FROM ALL WE HAVE SEEN IN PRINT AND BEEN TOLD PRIVATELY BY "OFICIALISTA" LABOR LEADERS INCLUDING "DON FIDEL" HIMSELF, PRI LABOR HAS COMMITTED ITSELF TO THE PRESIDENT TO ONE MORE YEAR OF MODERATION IN SUPPORT OF JLP'S ECONOMIC RECOVERY PLAN. ORGANIZED LABOR HAS PRODUCED ON ITS PLEDGES TO JLP WITH A FAR BETTER RECORD THAN ANY OTHER SECTOR. WHILE THEY WILL UNDOUBTEDLY CONTINUE TO HONOR THEIR PLEDGE, THE WAGE AUSTERITY PROGRAM IS WEARING OUT ITS WELCOME AT THE BASE-MEMBERSHIP LEVEL ACCORDING TO MANY LEADERS. WHILE THERE HAS BEEN NO MAJOR LOSS OF MEMBERSHIP OVER THE ISSUE, DISSIDENT LABOR ELEMENTS TOOK SOME ADVANTAGE OF THE SITUATION DURING 1977 AND HAD TO BE PUT DOWN WITH CONSIDERABLE FORCE IF NOT VIOLENCE. THE JLP-LABOR PACT HELD REMARKABLY WELL DURING THE PAST YEAR BUT WILL BE SUBJECTED TO MORE STRAIN THIS YEAR UNLESS THE MERCHANTS DISPLAY SOME RESTRAINT. LUCEY

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20 Mar 2014
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